County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
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DAVID SANDERS, PH.D.
Director

December 11, 2003

To: Supervisor Don Knabe, Chair
Supervisor Gloria Molina, Chair Pro Tem
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: David Sanders, Ph.D.
Director

SEPTEMBER 9, 2003 BOARD AGENDA ITEM# 51-B: PROPERTY DAMAGED BY FOSTER CHILDREN

On September 9, 2003, in response to a motion by Supervisor Antonovich, your Board ordered the Department of Children and Family Services to report back in 30 days with a plan to compensate foster parents when their property is damaged or stolen by foster youth.

Currently, there exists no insurance policy within the Department of Children and Family Services (Department) to pay a foster parent when they allege that a foster youth has stolen or damaged property in their home. On October 8, 2003, the Department requested a 30-day extension for the purpose of further exploration of options, including the possibility of purchasing an insurance policy to cover expenses stemming from foster children damaging the homes of their caretakers. A second extension was requested on November 7, 2003 for the purpose of finalizing our recommendation to you, the Board.

It is respectfully recommended that self-insurance continue as the most feasible approach to reimbursing foster parents for damage by foster children. It is further recommended that the current claims administration program for evaluating veracity of claims be endorsed by the Board as the appropriate methodology for reimbursing foster parents when liability exists. We base the recommendation on the limited nature of any proposed commercial coverage, the likely exclusions and restrictions, the estimated costs of coverage and that it is the most fiscally prudent approach.

The current claims administration program enables County Counsel and Carl Warren, our third party claims administrators, to evaluate County liability in each case, negotiate appropriate settlements, or deny claims without merit, while at the same time reserving the option to pay claims when the department believes it is in its best interest to do so. Liability must be established to prevent the gifting of public funds. A review of the current budget determines that adequate monies exist in the Insurance Budget to cover claims with merit.

The Department makes the recommendation in collaboration with the Chief Administrative Office (CAO), County Counsel and our third party claims administrators and in discussion with other child welfare agencies around the country. When the Department contacted child welfare agencies to investigate methods utilized to pay property damage claims, we discovered that not all agencies reimburse for property damage. The common element between the agencies that do pay is that claims are evaluated on an individual basis to determine liability. Some counties in one state pay up to $250.00 to cover the deductible on foster parents' homeowner's insurance policies. Another state pays "actual cash value" for claims in excess of $50.00 per incident, up to $5,000.000 per fiscal year, per incident. This self-insured program costs that state $500,000.00 per annum.

The CAO is unaware of any insurance policy existing that reimburses foster parents for damage to their homes. To fully explore insurance options, a formal competitive solicitation would need to be released to insurance brokers. However, in discussion with an insurance industry broker, the CAO found the following exclusions would likely exist in any insurance policy for "liability-type" insurance to pay costs resulting from property damage losses due to intentional acts of a foster child:

- Losses arising from "natural occurrences of childhood" (for example, a foster child accidentally breaks a neighbor's window playing baseball or leaves the water running and the bathtub overflows.) In other words, the usual expenses of having a child in the home would not be covered.

- Mysterious disappearance of cash or other property.

- Unauthorized telephone charges incurred by foster child.

- Losses resulting from wear and tear or neglect by the insured.

These are exactly the types of coverage that the foster parents request reimbursement for. Any policy created by the insurance industry would be priced by utilizing the County's current annual loss experience, increasing that amount by not less than 100% and adding anticipated claims adjustment expenses, plus a profit margin. While the first year of the policy may not be prohibitive in cost, due to our current practices, each additional year will increase exponentially as foster parents present claims for payment. Current estimates are that if the department begins the practice of routinely reimbursing foster parents for alleged property damage, our costs would quadruple immediately with increasing frequency each additional year.

Based on the limited nature of the proposed commercial coverage, the likely exclusions and restrictions, and its estimated cost, we believe that continued self-insurance is the lowest cost risk-financing alternative. The current claims administration program enables County Counsel and Carl Warren to evaluate County liability in each case, negotiate appropriate settlements, or deny claims without merit, while at the same time reserving the option to pay claims when the Department believes it is in its best interest to do so.

The Department has attempted to determine if the absence of a more liberal reimbursement policy has resulted in families not joining or leaving the foster care system. We have been unable to validate that the current policy and decisions have had a negative impact on the availability of foster family homes.

Therefore, it is respectfully recommended that the Board of Supervisors adopt the Department's current practice as the appropriate method of reimbursing foster parents for damage to their property. The foster parents will continue to file claims, as appropriate. The claim will be forwarded to County Counsel, the Department and the third party claims administrators for analysis. Liability will be determined and payment will be made after it has been established that the foster parent was providing adequate supervision to the children, that they have exhausted all other avenues for payment (for example, homeowners, renters and/or automobile insurance) and that the liability lies with the County.

If you have any questions, please call me or your staff may call Helen Berberian at (213) 351-5530.

DS:mv

c: Chief Administrative Officer
Executive Officer, Board of Supervisors
County Counsel